

## An Economy That Works for Everyone

Any effort to create an economy that works for more people needs to work within the mechanisms and signatures of the complex adaptive system called Free Enterprise.

In systems thinking, changing outcomes in a system depend on the leverage point. In heating or cooling a house, the thermostat is the leverage point, not opening and closing the windows which kicks on the HVAC system.

In free enterprise, the leverage point is the supply/demand ratio. That's where we start with "re-imagining the economy." If the proposal can work within S/D ratios, it will work automatically and doesn't need constant attention and maintenance. Four ideas:

### INNOVATE OUT OF THE COMMODITY TRAP

Innovation generates new wealth and creates specialized positions that command higher income

### GET MORE PEOPLE INTO AN EQUITY POSITION

Endow all Americans with a "Piece of America" trust fund at birth, instead of safety net programs later on.

### TAP INTO THE EMERGING "SOCIAL VALUES" MARKET

Expand the ESG values investing to include fair wages

### SUNSHINE ON ECONOMIC EXPATS.

Americans paid for a nurturing environment for company growth. Economic expats evade taxes by taking profits overseas. Americans should know about that.

### INNOVATE OUT OF THE COMMODITY TRAP

Commoditization is the root of poverty. If the supply of a commoditized product significantly outweighs the demand, the price goes down putting pressure on wages. Working hard, playing by the rules and being a good citizen does not affect this fact. If we are to reduce the devastating effects that poverty and job losses have on individuals and communities, we need to get people out of the commodity trap. Improved supply/demand ratios are the singular and most important objective that will work using the properties of complex adaptive systems

Visualizing a bell curve graphic, on the left-hand side the general course of a new innovation is to create new products, new companies, new jobs and new wealth. At the top of the curve, the growth levels off,

and commoditization kicks in. On the right-hand side of the curve, products and companies fail, jobs disappear and wealth concentrates into a few companies and a few individuals.

Innovation not only creates new wealth sloshing around in the company, but also creates new kinds of jobs which have skills and knowledge available to only a few people (strong S/D ratio). A constant stream of innovations in companies like Apple generates growing wealth throughout the company.

#### MORE PEOPLE INTO EQUITY POSITIONS

Supply/demand ratios are the reason that investors get first call on the value created by a company. Capital can move easily and chases the highest return; thus, capital has the most options and the highest S/D leverage. Profits in a company must match competitive alternatives or else capital moves. Any proposal to reduce profits in order to benefit commoditized employees is met with a withdrawal of capital. As a general principle, money is made on the investor side, not the wage/salary side.

One solution is to move as many people as possible into equity positions. Under the current system, America puts a lot of money into a safety net for those on the bottom of the economic scale (food, housing, medicine, transportation, retirement). What if this money were given to the individuals at birth as a trust fund which grows with the economy and generates an income for them? The original investment cannot be spent.

The creation of a “trust fund” that is tied to the success of American business puts everyone on the same side of the equation. Like all stockholders, the trust funder also gets a piece of the profits. *Everyone* in this system wants jobs eliminated in order to cut expenses and increase profits. Everyone has a piece of America.

#### TAP INTO THE EMERGING “SOCIAL VALUES” MARKET

There is an interesting emerging market among well-educated Millennials who make purchase decisions which include social values. Whereas low-income buyers are price sensitive and don't have much choice in available options (variations of a Chevy, not a Mercedes), price constraints fall away as you go up the income continuum. Upper income professionals may focus on better quality, status, and more recently social values. This is most visible in the growing ESG / impact social investing movement. This segment of the income scale makes enough money such that they can balance total returns with social values (environment, social, governance, wages).

This segment of the market also pioneered combining social values investments with consumer participation in the fair-trade movement. Some customers are willing to pay a premium provided the premium goes to producers and not the rest of the supply chain. A movement titled “*all in*” or “*no one left behind*” or “*better capitalism*” might easily attach to the ESG movement.

#### SUNSHINE ON THE CORPORATE EXPATS.

There is a growing sense that Americans paid taxes, served in the military and built an environment of national security, infrastructure, education, public safety, and commercial legal system that allows

companies to prosper and grow. All of this was with the understanding that everyone would benefit. Here's the rub. It appears equity owners benefited a lot; a broad swath of Americans benefited from innovation and lower prices; but many Americans got thrown out of work and their communities decimated.

Many who benefited the most are hiding their taxable income and assets offshore. It's the equivalent of being an economic expat at the least, or an economic traitor at the worst. Americans built an environment that provided a nourishing seedbed for companies. There should be sunshine on the owners who refuse to help pay for it.